GAO

United States General Accounting Office

Report to Congressional Committees

September 1988

POSTAL SERVICE

Preliminary Report on Compliance With 1988 Budget Reduction Mandate

GAO/GGD-88-121

GAO

United States
General Accounting Office
Washington, D.C. 20548

General Government Division

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September 1, 1988

The Honorable John Glenn
Chairman, Committee on Governmental Affairs
United States Senate

The Honorable William D. Ford
Chairman, Committee on Post Office
and Civil Service
House of Representatives

This report is provided in accordance with subsection 6003(c)(3) of Public Law 100-203, the Omnibus Budget Reconciliation Act of 1987. The subsection requires GAO to submit a preliminary report to you by September 1, 1988, on the extent of compliance by the United States Postal Service with its plan to reduce its fiscal year 1988 operating budget by $160 million. The act also requires that we submit a final report on compliance to you on October 31, 1988.

Background

The budget reduction plan, submitted by the Postal Service to you on February 26, 1988, is composed of 10 cost cutting initiatives. Dollar amounts were not attached to the initiatives described in the submitted plan, but internally the Postal Service estimated that these measures would save $173.8 million—a buffer of $13.8 million above the required amount. In an interim report on July 14 on the status of the cost savings actions, the Postal Service reported to you that it would meet the mandated operating expense reduction.

The cost savings initiatives in the plan called for a reduction in administrative personnel costs, travel, training, supplies and services, and research and development funds; shifting some mail to less expensive or less frequent transportation modes; efficiencies in mail processing; elimination of Sunday mail collections; and reductions in customer services, including curtailed window service.

Approach

To carry out our reporting objectives under the act, we are assessing the reasonableness of the estimates associated with each of the cost savings initiatives; verifying that appropriate operating budgets were reduced by the estimated amounts; verifying that the specific measures in the plan are being carried out; and determining whether operating units and the Postal Service as a whole are coming in at or below their reduced budgets.

Our work, which began in March 1988, is being done at the Postal Service headquarters in Washington, D.C., and at regional and division headquarters and operating facilities in Boston and Springfield, Massachusetts; Baltimore and Capital Heights, Maryland; Atlanta, Georgia; Memphis, Tennessee; Chicago, Illinois; Des Moines, Iowa; Denver, Colorado; and Oakland and San Francisco, California. The locations were selected to give audit coverage to all five Postal Service regional headquarters and to division headquarters and postal operating facilities throughout the country.

At these locations we are interviewing Postal officials to determine how they planned the budget reduction initiatives and estimated their savings potential. We are reviewing those estimates to determine if they were based on current and appropriate data at the time they were made. We are documenting fiscal year 1988 operating budgets in effect before and after the reduction to determine if they were reduced by the appropriate amounts. We are interviewing employees responsible for carrying out the budget reduction initiatives to obtain their views on the extent to which savings have been achieved. We are also observing applicable operations and reviewing activity records to see if the planned changes in procedures and practices are taking place. To determine the effect of the initiatives on costs, we are reviewing workhour and financial reports and evaluating the extent to which these reports document savings resulting from the cost reduction initiatives.

The Audit Division of the Postal Inspection Service is similarly reviewing the Postal Service's compliance with the Budget Reconciliation Act. We are working closely with the Inspection Service and will consider their reports in making the compliance determination.

Finding

We have confirmed that operating budgets have been reduced by the amount called for in the Reconciliation Act and actions described in the 10 areas laid out in the budget reduction plan are underway. Our conclusions as to the amounts saved and our recommendations, if any, needed to enforce compliance with the provisions of the Budget Reconciliation Act of 1987 will be included in our final report.

The Assistant Postmaster General, Department of the Controller, reviewed a draft of this report and suggested a clarification, which we

made. We are sending copies of this report to the Postmaster General, congressional committees, and other interested parties.

L. Nye Stevens
Associate Director

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